

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

AGENDA ID 14736  
RESOLUTION E-4768  
April 7, 2016

R E D A C T E D  
R E S O L U T I O N

Resolution E-4768. San Diego Gas & Electric Company requests approval of an amendment to a renewable power purchase agreement with Imperial Valley Solar 1 for the Mount Signal I Solar Farm.

PROPOSED OUTCOME

- Approve cost recovery for the proposed amendment between SDG&E and Imperial Valley Solar 1, LLC. The amendment is approved without modification.

SAFETY CONSIDERATIONS:

- Based on the information before us, the amendment does not appear to result in any adverse safety impacts on facilities or operations of SDG&E.

ESTIMATED COST:

- Actual costs of the amendment are confidential at this time.

By Advice Letter 2842-E filed on January 8, 2016

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SUMMARY

**San Diego Gas & Electric Company's (SDG&E) proposed amendment with Imperial Valley Solar 1, LLC (IVS1) for Mount Signal I Solar Farm (Mt. Signal) is approved without modification**

SDG&E filed Advice Letter 2842-E (IVS1 AL) on January 8, 2016, requesting California Public Utilities Commission (Commission) review and approval of an amendment with IVS1 (Amendment). The proposed Amendment was executed, in part, due to an operational issue with California Independent System Operator

(“CAISO”) forecasting system that impacted the operation of Mount Signal I Solar Farm.. Pursuant to the proposed Amendment, SDG&E and IVS1 agree to the amount generation that was curtailed for the time period of August 2014 to October 2014 due to economic dispatch and payment for that curtailed generation. Additionally, the proposed Amendment increases the available amount of economic curtailment of the IVS1 facility and amends the calculation for failure to comply during economic dispatch down periods.

This resolution approves the proposed Amendment. SDG&E’s execution of this Amendment is fair and reasonable and payments made by SDG&E pursuant to the Amendment are fully recoverable in rates. Additionally, any payment SDG&E receives for the economic dispatch down of the IVS1 for the period of May 2014 to October 2014 shall be credited to SDG&E’s ratepayers via SDG&E’s Energy Resource Recovery Account (ERRA).

## **BACKGROUND**

### **Overview of the Renewables Portfolio Standard (RPS) Program**

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X) and SB 350.<sup>1</sup> The RPS program is codified in Public Utilities Code Sections 399.11-399.31.<sup>2</sup> The RPS program requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources is an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; 33 percent of retail sales by December 31, 2020 and corresponding increases up to 50% by December 31, 2030.

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<sup>1</sup> SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session); and SB 350 (De León, Chapter 547, Statutes of 2015).

<sup>2</sup> All further statutory references are to the Public Utilities Code unless otherwise specified.

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

## **NOTICE**

Notice of the IVS1 AL was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the IVS1 AL was mailed and distributed to the R.15-02-020 service list and GO 96-B service lists in accordance with Section 4 of General Order 96-B.

## **PROTEST**

No protests were filed.

## **DISCUSSION**

### **SDG&E requests approval of an amendment to its renewable power purchase agreement with IVS1, LLC (IVS1 PPA)**

The IVS1 PPA was approved by the Commission on June 7, 2012 via Resolution E-4505. SDG&E executed the IVS1 PPA as a result of its 2011 RPS solicitation. The IVS1 PPA is a 25-year contract for approximately 495 gigawatt-hours RPS-eligible generation and associated renewable energy credits (RECs) per year from the Mt. Signal facility. The 200 MW Mt. Signal facility is located in Calexico, Imperial County, California Silver Ridge Power (formerly AES Solar) and 8minutenergy developed the Mt. Signal facility. The facility achieved commercial operation and began deliveries in October 2013.

On January 8, 2016, SDG&E filed the IVS1 AL requesting Commission approval of the proposed Amendment. The proposed Amendment is regarding, in part, a CAISO operational issue with its forecasting system that occurred in 2014. The forecasting issue resulted in IVS1 curtailing generation from the Mt. Signal facility.

The proposed Amendment includes an agreed upon amount of generation that was curtailed or dispatched down; a payment for the curtailed generation; increase to the available amount of economic curtailment of the Mt. Signal

facility; and changes to the calculation for failure to comply during economic dispatch down periods. No other terms, including price, are amended.

Additionally, the Amendment is conditioned up on CPUC approval

**SDG&E requests that the Commission:**

1. The Amendment is approved in its entirety, including payments to be made by SDG&E under Section 4.a. of the Amendment, subject to Commission review of SDG&E's administration of the IVS1 PPA, as modified by the Amendment
2. Any procurement pursuant to the PPA, as modified by the Amendment, is procurement from an Eligible Renewable Energy Resource for purposes of determining SDG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Section 399.11 *et seq.*), Decision 03-06-071, or other applicable law.

**Energy Division Evaluated the Settlement based on the following criteria:**

- Consistency with Commission Policies and Requirements
  - SDG&E's 2014 RPS Procurement Plan
  - Procurement Review Group
- Cost Reasonableness
- PPA and Amendment Viability

**Consistency with SDG&E's 2014 RPS Procurement Plan**

In its 2014 RPS Procurement Plan (2014 RPS Plan) SDG&E provided an assessment of supply and demand, description of potential RPS compliance delays, status update of projects within its RPS portfolio, and an assessment of project failure and delay risk within its RPS portfolio.<sup>3</sup> In addition, SDG&E discussed its portfolio optimization strategies, including cost minimization through cost optimization. Specifically, SDG&E noted that part of its cost

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<sup>3</sup> Section 399.13(a)(5).

optimization strategy it “continually monitors its existing contracts and seeks to optimize their performance on behalf of customers.”<sup>4</sup>

Based on SDG&E’s RPS portfolio optimization described in its 2014 RPS Plan, the Amendment is consistent with SDG&E’s 2014 RPS Plan. The Amendment is a result of SDG&E’s seeking to minimize potential ratepayer costs due to increasing curtailment.

The Amendment is consistent with SDG&E’s 2014 RPS Procurement Plan, approved by D.14-11-042.

### **Procurement Review Group (PRG) Participation Requirement**

The PRG was initially established in D.02-08-071 to review and assess the details of the investor owned utilities’ (IOU’s) overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission as a mechanism for procurement review by non-market participants.

Participants in SDG&E’s PRG include representatives from the Office of Ratepayer Advocates, California Department of Water Resources, The Utility Reform Network, and the California Utility Employees. In the IVS1 AL, SDG&E asserts that the proposed Amendment was presented to its PRG at the October 16, 2015 meeting.<sup>5</sup>

Consistent with D.02-08-071, SDG&E’s Procurement Review Group participated in the review of the Amendment.

### **Cost Reasonableness**

Pursuant to the amendment, SDG&E will pay IVS1 for generation that that was curtailed from May 2014 to October 2014.<sup>6</sup> As SDG&E notes in the IVS1 AL, the

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<sup>4</sup> SDG&E’s 2014 Final RPS Procurement Plan, p. 19.

<sup>5</sup> IVS1 AL, p. 2.

<sup>6</sup> See Appendix B for public information provided in Federal Energy Regulatory Commission’s (FERC) Electric Quarterly Reports for IVS1 for May 2014 to October 2014.

IVS1 PPA includes economic curtailment terms. The payment calculation is consistent with those terms. Using the IVS1 PPA's prescribed methodology and the confidential analysis provided by SDG&E, the Commission finds that the costs of the Amendment are reasonable. See Confidential Appendix A for a detailed discussion of the cost reasonableness analysis.

### **PPA and Amendment Viability**

The Mt. Signal facility is fully constructed and achieved commercial operation on March 4, 2014.<sup>7</sup> Based on the terms and conditions of the IVS1 PPA, the terms and conditions of the Amendment, and the fact that the Mt. Signal facility is commercially operating and responding to dispatch down orders, it is reasonable to expect that IVS1 will meet the terms and conditions of the PPA and Amendment.

### **Safety Considerations**

California Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public. This resolution approves an amendment regarding a payment for curtailed generation for a certain period. In addition, the Amendment modifies certain terms of the PPA, but it does not alter facility operations. As the Amendment does not require a change in facility operations, there are no incremental safety implications associated with approval of this amendment beyond the status quo.

Based on the information before us, this amendment does not appear to result in any adverse safety impacts on the facility or operations of SDG&E.

### **CONFIDENTIAL INFORMATION**

The Commission, in implementing Section 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, including price, is confidential for

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<sup>7</sup> Master CAISO Control Area Generating Capability List (January 15, 2016)

three years from the date the contract states that energy deliveries begin, or until one year following contract expiration, except contracts between IOUs and their affiliates, which are public.

The confidential appendices, marked “[REDACTED]” in the public copy of this resolution, as well as the confidential portions of the IVS1 AL, remain confidential at this time.

## **COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

## **FINDINGS**

1. Amendment to the renewable power purchase agreement between San Diego Gas & Electric Company and Imperial Valley Solar 1, LLC is consistent with SDG&E’s 2014 Renewables Portfolio Standard Procurement Plan, as approved by D.14-11-042.
2. Consistent with D.02-08-071, San Diego Gas & Electric Company’s Procurement Review Group participated in the review of the proposed amendment to San Diego Gas & Electric Company’s renewable power purchase agreement with Imperial Valley Solar 1, LLC.
3. The payment amount is consistent with San Diego Gas & Electric Company’s power purchase agreement with Imperial Valley Solar 1, LLC.
4. The payment amount pursuant to the Amendment to the renewable power purchase agreement between San Diego Gas & Electric Company and Imperial Valley Solar 1, LLC is reasonable.
5. Payments made by SDG&E under the Amendment to the renewable power purchase agreement between San Diego Gas & Electric Company and Imperial Valley Solar 1, LLC shall be recoverable in rates over the life of the amendment, subject to Commission review of San Diego Gas & Electric Company’s administration of the amended power purchase agreement and any other applicable Commission review.

6. Any procurement pursuant to the amended San Diego Gas & Electric Company's renewable power purchase agreement with Imperial Valley Solar 1, LLC is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (*Public Utilities Code Section 399.11 et seq.*), D.11-12-020 and D.11-12-052, or other applicable law."
7. This finding has never been intended, and shall not be read now, to allow the generation from a non-RPS eligible resource to count towards an RPS compliance obligation absent CEC certification. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract.
8. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the Advice Letter 2842-E, remain confidential at this time.
9. Advice Letter 2842-E should be approved and effective today.



**THEREFORE IT IS ORDERED THAT:**

1. The request of the San Diego Gas & Electric Company for review and approval of the Amendment to the renewable power purchase agreement between San Diego Gas & Electric Company and Imperial Valley Solar 1, LLC, as requested in Advice Letter 2842-E, is approved without modification.
2. San Diego Gas & Electric Company shall credit any payments received for the economic dispatch down of the Mt. Signal facility for the period of May 2014 to October 2014 to SDG&E's ratepayers via San Diego Gas & Electric Company's its Energy Resource Recovery Account.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 7, 2016; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

## **Confidential Appendix A**

Evaluation Summary of the Amendment to IVS1 PPA

[Redacted]

## **Appendix B**

FERC Electric Quarterly Report Data for IVS1  
From May 2014 through October 2014

Seller Company Name	Customer Company Name	FERC Tariff Reference	Contract Service Agreement	Transaction Unique Identifier	Transaction Begin Date	Transaction End Date	Point of Delivery Specific Location	Increment Name	Increment Peaking Name	Product Name	Transaction Quantity	Price (\$/MW)	Standardized Quantity	Standardized Price	Total Transmission Charge	Total Transaction Charge
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10004	201405000000	201405000000	SP15	Monthly	Peak	ENERGY	3202	107.36	3201.5	107.36	0	343727.00
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10005	201405000000	201405000000	SP15	Monthly	Peak	ENERGY	2247	93.36	2246.6	93.36	0	209753.20
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10006	201405000000	201405000000	SP15	Monthly	Off Peak	ENERGY	3745	66.94	3744.7	66.94	0	250679.99
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10007	201406000000	201406000000	SP15	Monthly	Peak	ENERGY	15486	107.36	15485.95	107.36	0	1662642.00
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10008	201406000000	201406000000	SP15	Monthly	Peak	ENERGY	16079	93.36	16079.14	93.36	0	1501224.17
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10009	201406000000	201406000000	SP15	Monthly	Off Peak	ENERGY	14206	66.94	14206.02	66.94	0	950987.85
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10001	201407000000	201407000000	SP15	Monthly	Peak	ENERGY	22348	241.76	22348.41	241.76	0	5402950.82
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10002	201407000000	201407000000	SP15	Monthly	Peak	ENERGY	10769	129.69	10769.19	129.69	0	1396639.55
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10003	201407000000	201407000000	SP15	Monthly	Off Peak	ENERGY	8215	85.21	8215.41	85.21	0	700066.56
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10004	201408000000	201408000000	SP15	Monthly	Peak	ENERGY	25414	246.57	25413.81	246.57	0	6266375.20
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10005	201408000000	201408000000	SP15	Monthly	Peak	ENERGY	12587	132.31	12586.89	132.31	0	1665344.05
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10006	201408000000	201408000000	SP15	Monthly	Off Peak	ENERGY	16343	78.97	16343.28	78.97	0	1290638.00
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10007	201409000000	201409000000	SP15	Monthly	Peak	ENERGY	22249	246.57	22248.57	246.57	0	5485830.71
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10008	201409000000	201409000000	SP15	Monthly	Peak	ENERGY	11158	132.31	11158.41	132.31	0	1476368.82
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10009	201409000000	201409000000	SP15	Monthly	Off Peak	ENERGY	16014	78.97	16013.69	78.97	0	1264600.81
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10001	201410000000	201410000000	SP15	Monthly	Peak	ENERGY	20223	246.57	20223.29	246.57	0	4986457.59
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10002	201410000000	201410000000	SP15	Monthly	Peak	ENERGY	10054	132.31	10054.41	132.31	0	1330298.68
Imperial Valley Solar 1, LLC	San Diego Gas & Electric	Market-Based Rate Tariff	Power Purchase Agreement	IVS10003	201410000000	201410000000	SP15	Monthly	Off Peak	ENERGY	11464	78.97	11463.56	78.97	0	905277.44